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25 March 1988

MEMORANDUM FOR THE RECORD

FROM:

[Redacted]

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SUBJECT: Meeting With OPM Officials re Auditing CIA Retirement Systems

[Redacted]

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Retirement Division met with Dan Green and Woody Kees of the Quality Assurance Division of OPM's financial systems group to discuss how CIA might approach most effectively the task of auditing the additional retirement systems for which it has recently become responsible (FERS, FERS Special, and CSRS).

2. [Redacted] opened the meeting by indicating that we were seeking education and guidance from OPM in conducting audits that would satisfy both our own stringent requirements for financial compliance and system audits as well as OPM's standards for quality assurance and internal controls. He noted that we had some familiarity with audits of retirement systems insofar as we had been auditing CIARDS regularly for some time but that the scope of Agency responsibility had increased substantially with the onset of FERS and FERS Special and with the Agency assuming the administration of the CSRS for its employees.

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3. Green indicated that his division performed three different types of audits:

' A series of ongoing program reviews and audits that are done a continuing (i.e. year-round) basis. A sampling approach is used for this purpose. Green's people select a sample of cases and then compute the error rate (3-4 percent is typical) and the timeliness of the processing. Follow up interviews are then conducted with the people who actually are processing the cases to see how well they understand and perform their jobs.

' Some service level reviews are conducted. In these instances, the review is done on the basis of a category of employee -- say GS-4 through GS-7 adjudicators -- or an examination of the work of an entire section.

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' The third type of review is a look at the internal controls, primarily as a contribution to the annual internal control report filed each year by OPM.

4. [] pointed out that following our customary audit practice, we would make thorough reviews periodically with the frequency of audit being largely determined by the amount of resources involved in the program. He estimated that under the criteria of our risk model the retirement systems would be subject to frequent audit.

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5. Green observed that his division conducted roughly 40 to 50 reviews each year and that most of these were keyed to a type of transaction (eg. change of address) or to a specific job step (eg. post adjudication reviews). Kees pointed out that in addition to the 44 quality assurance reviews that the division has scheduled this year, it is also responsible for internal control reviews, ADP system reviews, and participation on advisory committees, all of which made for a "full plate".

6. Green said that it appeared that the type of materials that would be most useful to us would be the audit agendas, the vulnerability assessment questionnaires, and the audit "playbook" that they had developed. Apparently the playbook is a compilation of the checklists and instructions for the quality assurance auditor to use in reviewing the transactions and/or services performed by the other elements of OPM.

7. By way of background, Kees noted that the quality assurance function began in OPM in 1974 when two senior examiners began compiling procedures for reviewing how the work was being done.

8. [] observed that the much of the work done by OPM's Quality Assurance Division would be performed by Retirement Division in the Agency. [] acknowledged this fact and said that up to now the caseload had been so small that there was no requirement to establish a separate quality assurance function, much less to adopt sampling techniques to review the work. This was all changing, however, hence this desire to exchange information and ideas. Green then suggested that the initial audit of the expanded Personnel retirement function should definitely contain recommendations concerning quality assurance.

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9. Green philosophized a bit, saying that quality control was needed at the operational level and that at a slightly higher level, there was a requirement for increased emphasis on internal controls and compliance issues. Kees noted that it may be difficult to conduct an adequate review if it is done strictly on an annual basis because different systems have different attributes at different times of the year.

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10. Kees also suggested that an auditor be placed in the approval loop for new adp systems that support retirement administration. This comment was triggered by [] observation that the OPM and Agency programmers were cooperating closely and were testing results at each step of development.

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11. Green closed the meeting by suggesting that one or more of the Agency auditors come to pick up the materials that OPM would provide us once the necessary releases were gotten. [] said that he would like some time to examine the materials before he asked for further information or clarification and Kees said he understood that viewpoint perfectly. Green also mentioned that he would like to have a third person in addition to Kees and himself cleared to look at the Agency audit reports in case of personnel transfers or other contingencies. He said that he would like the Agency to be as independent as possible because he already had plenty to do. He offered -- presumably to Personnel rather than Audit --to have an Agency employee detailed to his division to get an on-the-job feel for their approach, procedures and techniques of quality assurance. As a parting suggestion, Kees said that the closer the Agency emulates the OPM process, the better.

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